

**MINUTES
REGULAR MEETING
RETIREMENT BOARD OF TRUSTEES
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
JANUARY 30, 2020**

The regular meeting of the Retirement Board of Trustees was held in the boardroom of the Retirement Office at 209 St. Ferdinand Street, and was called to order at 10:07 a.m. by Board Chairman Ms. Marsha Hanlon. Members present: Chief Richard Sullivan, Mr. Mark LeBlanc, Sergeant Neal Noel, Mr. Joseph Toups, Mr. David West, and Mr. Brian Bernard. Absent: None. Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Mark Williams, and Mr. Kyle Drago. Others present: Ms. Denise Akers – legal counsel, Mr. Brit Hines – Board member elect, Ms. Clynthia Parker – disability retirement applicant, Ms. Shelley Johnson and Mr. Patrick McDonald – Foster and Foster Actuaries, Mr. Dorien Nunez – OMNIResearch Group, and Ms. Linda Hunt and Ms. Angie Savoy – Finance Administration.

Mr. Kyle Drago formally called the roll.

There was a call for public comments prior to introduction of the first agenda item. There were no public comments.

The chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of December 19, 2019, the Investment Committee meeting of December 12, 2019, and from the Election Committee meetings of December 19, 2019 and January 2, 2020, and called for a motion.

Motion by Mr. LeBlanc, seconded by Chief Sullivan to suspend the reading of, and approve the minutes of the regular meeting of December 19, 2019, the Investment Committee meeting of December 12, 2019, and the Election Committee meetings of December 19, 2019 and January 2, 2020 as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 2, Disability, there was one application for consideration for disability retirement as follows:

Ms. Clynthia J. Parker	Regular	Service-Connected
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Motion by Mr. LeBlanc, seconded by Mr. Bernard to approve the service-connected disability retirement application for Ms. Clynthia J. Parker based on the recommendation of the medical consultant.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 3, Benefits Report, and the chairman called on Mr. Yates to present the report. Mr. Yates stated that the report was in order as presented, and that the staff had gone over the report yesterday. He explained the nature of some of the items on the report and stated that the staff would answer any questions.

Motion by Mr. LeBlanc, seconded by Mr. West to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The chairman declared that Item 5, Consultants' Reports, would be addressed at the end of the meeting.

The next item was Item 6, Committee Reports, and under Item 6C, Mr. Toups reported on the recent Election Committee meetings. Mr. Toups stated that the Fire Department election had taken place and that there was an uncontested winner. He stated that the election rules were reviewed for the regular member representative elections, which will encompass two Board seats. Candidates must specify which seat they are seeking. Mr. Smith noted that there were four candidates for seat A and three candidates for seat B, and the date was set for the ballots to be mailed.

Moving to Item 7, Staff Reports, the chairman noted that under Item 7C, there were invoices from the Law Offices of Akers & Wisbar, LLC for the month of December, which Mr. Smith verified as being in order as presented.

Motion by Mr. West, seconded by Chief Sullivan to approve payment for the charges to the Law Offices of Akers & Wisbar, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7D there was an invoice from the Law Offices of Tarcza & Associates, LLC which Mr. Yates explained was a late invoice for work done in concert with Bob Klausner relative to the St. George matter.

Motion by Mr. LeBlanc, seconded by Sgt. Noel to approve payment for the charges to the Law Offices of Tarcza & Associates, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7D there was an invoice from the actuarial firm of Foster & Foster, which Mr. Yates explained was for the cost of routine actuarial transfer calculations.

Motion by Mr. West, seconded by Mr. LeBlanc to approve payment for the charges to Foster & Foster as presented.

No discussion and no objections.

Motion passed by those members present.

Under 7F, there were a number of investment manager/consultant invoices for the Board's review, and verified by Mr. Smith to be in compliance with the contracts.

Under 7G, Cash Activity Report, Mr. Drago stated that the report would be suspended until after the actuarial valuation was completed.

The next item on the agenda was Item 8, Unfinished Business, and there were no items to be addressed.

The chairman then moved to Item 9, New Business, and introduced Item 9A, Ratifying the Retirement Board Election Results for the Baton Rouge Fire Department Representative Election, and the chairman noted that the official vote tally had been received from the accounting firm of Hawthorn, Waymouth, and Carroll, and that with three candidates running for the position, Mr. Brit Hines had won the election with more than 50 percent of the votes cast. Mr. Hines will be seated at the March Board meeting.

Motion by Mr. Toups, seconded by Mr. Bernard to ratify the election of Mr. Brit Hines as the fire representative to the Retirement Board.

No discussion and no objections.

Motion passed by those members present.

Moving to Item 9B, Presentation of the 5-Year Actuarial Experience Study for the CPERS Trust, the chairman recognized Ms. Shelley Johnson and Mr. Pat McDonald of the actuarial firm of Foster & Foster for their presentation. Ms. Johnson began by explaining the purpose of the 5-Year Experience Study and how it is developed by comparing actual experience with assumptions for the purpose of adjusting the assumptions to better fit experience. She first covered the economic assumptions which include inflation, investment returns, and salary increases. Regarding the System's current inflation assumption of 2.75%, she stated that all indicators pointed to a lower inflation rate, and therefore Foster & Foster was recommending lowering the inflation rate to 2.25%. She cited several sources, including AndCo, in supporting the lowering of the rate. The System's investment return of 7.25% is high compared to AndCo's forecast for the current asset allocation, but Ms. Johnson stated that she preferred looking at a 20-year horizon, which would support the recommended investment return of 7.0%. This would be comparable to most Louisiana public retirement systems. Foster & Foster also recommended an increase in the salary increase assumption for regular, BREC, fire and police, but because of the inflation decrease, the fire and police costs would actually decline. Ms. Johnson showed charts that detailed the increases over the study period of 5 years. There was a brief discussion regarding the changes the City-Parish made a few years ago that eliminated a separate longevity raise, and added pay steps within each salary range. Several Board members thought the salary increases shown in the study seemed high compared to what it should be, based on the salary structure in place. It was agreed that the actuaries would look more closely at the data to identify areas where the overages might be concentrated. Ms. Johnson then presented the demographic assumptions, which include mortality rates, retirement rates, withdrawal rates, and disability rates. Historically actuaries recommend a static mortality table for a group, but recently they recommend developed tables that most closely simulate actual mortality for subsets of the group, such as active lives,

inactive lives, and disabled lives. She presented the recommendation for the mortality tables going forward, which actually would reduce the UAAL. Mr. McDonald presented the retirement rates assumption information, which showed fewer retirements than expected, except for members with 25 or more years of service. He reviewed the service and age categories for all four employee groups, and explained the recommended adjustments to the retirement assumptions. He then moved to withdrawal/termination rates and explained that as age and years of service increase, termination rates decrease. The proposed termination rate changes would decrease the UAAL overall. Mr. McDonald noted that when employees terminate employment, it was assumed that contributions were totally withdrawn, but experience shows that is not the case, and the recommendation was to assume a 75% withdrawal amount. Regarding disability rates, there was very little experience from which to draw, but a slight change was being recommended that would slightly increase the UAAL. He then addressed the topic of converted leave, and noted that the experience dictated reducing the assumption for the amount of leave converted. This would serve to significantly reduce the UAAL. Mr. Yates asked about the military service provision and how that might impact costs if the member waits late in his/her career to turn in the service. Ms. Johnson presented a chart showing all the proposed and possible changes in assumptions and the effect on the UAAL and the System's funded ratio. Mr. LeBlanc stated that he could support the investment return rate of 7.0%. There was a discussion regarding the employer(s) paying the increased recommended employer retirement contribution rate. It was agreed that Foster & Foster would further review the regular and BREC salary increases for possible further refinement. A Board decision of what assumption changes to make could be done at the March regular meeting after the data is reviewed.

Motion by Mr. LeBlanc, seconded by Mr. Toups to receive the CPERS 5-year experience study report, and to defer action on it until the March regular meeting.

No discussion and no objections.

Motion passed by those members present.

The chairman then introduced 11.E.1 out of order, Presentation of the 5-Year Actuarial Experience Study for the PGT, and again recognized Ms. Johnson and Mr. McDonald. Ms. Johnson stated that the inflation assumption for the PGT should match that of CPERS at 2.25%, and that the investment return assumption had already been reduced from 7.25% to 5.75% in conjunction with a review of investments done by AndCo. Salary increases were greater than expected, so an increased assumption rate is recommended. An assumption change (reduction) was also recommended for the cost of living increases given by MPERS, which serves to increase the cost to the PGT. Ms. Johnson also recommended recognizing the administrative expenses of the PGT, which previously had not been done. The same mortality rates as proposed for CPERS was being proposed for the PGT. A change was also proposed for the retirement rates of the PGT, which serve to decrease the UAAL. Withdrawal rates were very low, and a slight change was being recommended. There were no disabilities to base any change on. Mr. LeBlanc stated that AndCo was working on restricting the PGT investments to get a greater return and lower fees.

Motion by Mr. LeBlanc, seconded by Mr. Toups to receive the PGT 5-year experience study report, and to defer action on it until the March regular meeting.

No discussion and no objections.

Motion passed by those members present.

Under Item 10, Administrative Matters, there were no items to address.

The chairman then continued with Item 11, Police Guarantee Trust Matters, and under Item 11A, PGT Benefits Report, recognized Mr. Yates who stated that there was one item on this month's report and that the report was in order as presented.

Motion by Mr. LeBlanc, seconded by Mr. West to approve the PGT Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 11B, the chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

Item 11C, Consultants' Reports had been addressed earlier.

There were several investment manager invoices under Item 11D.1 for the Board's review, and verified by Mr. Smith to be in compliance with the contracts.

Under Item 11D.2 there were no items for consideration.

Under Item 11D.3, PGT Cash Activity Report, Mr. Drago stated that the report would be suspended until after the actuarial valuation was completed.

Under Items 11F Unfinished Business, and 11G, there were no items to address.

Returning to the regular order of business, the chairman moved back to Item 5, Consultant Reports, and under 5A, Status on Pending Legal Matters recognized Ms. Akers. Ms. Akers stated that she would review the status of the outstanding litigations relative to securities litigation. She gave updates for the Macrogenics lawsuit, the Greensky lawsuit, the Impinj lawsuit, the Energy Transfer lawsuit, and the Merit Medical lawsuit.

Seeing no further items on the agenda, the chairman called for a motion to adjourn.

Motion by Mr. LeBlanc, seconded by Mr. Toups to adjourn at 11:59 a.m.

No discussion and no objections.

Motion passed by those members present.

MARSHA HANLON
CHAIRMAN, RETIREMENT BOARD OF TRUSTEES

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR